
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1276 Session of
2018

INTRODUCED BY HUGHES, TARTAGLIONE, FARNESE, COSTA AND BREWSTER,
OCTOBER 25, 2018

REFERRED TO ENVIRONMENTAL RESOURCES AND ENERGY, OCTOBER 25, 2018

AN ACT

1 Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An
2 act relating to tax reform and State taxation by codifying
3 and enumerating certain subjects of taxation and imposing
4 taxes thereon; providing procedures for the payment,
5 collection, administration and enforcement thereof; providing
6 for tax credits in certain cases; conferring powers and
7 imposing duties upon the Department of Revenue, certain
8 employers, fiduciaries, individuals, persons, corporations
9 and other entities; prescribing crimes, offenses and
10 penalties," providing for education reinvestment, for
11 severance tax, for public school building renovation and
12 rehabilitation, for public school building renovation and
13 rehabilitation bonds, for public school building renovation
14 and rehabilitation grant program and for comprehensive public
15 school safety program; and making a related repeal.

16 The General Assembly of the Commonwealth of Pennsylvania
17 hereby enacts as follows:

18 Section 1. The act of March 4, 1971 (P.L.6, No.2), known as
19 the Tax Reform Code of 1971, is amended by adding articles to
20 read:

21 ARTICLE XI-E

22 SEVERANCE TAX FOR EDUCATION REINVESTMENT

23 Section 1101-E. Definitions.

24 The following words and phrases when used in this article

1 shall have the meanings given to them in this section unless the
2 context clearly indicates otherwise:

3 "Association." A partnership, limited partnership or any
4 other form of unincorporated enterprise owned or conducted by
5 two or more persons.

6 "Barrel." Forty-two United States gallons at an atmospheric
7 pressure of 231 cubic inches of liquid at a standard temperature
8 of 60 degrees Fahrenheit.

9 "Coal bed methane." Gas which can be produced from coal
10 beds, coal seams, mined-out areas or gob wells.

11 "Corporation." A corporation, joint stock association,
12 limited liability company, business trust or any other
13 incorporated enterprise organized under the laws of the United
14 States, this Commonwealth or any other state, territory or
15 foreign country or dependency.

16 "Department." The Department of Revenue of the Commonwealth.

17 "Dry natural gas." Hydrocarbon gases, consisting mostly of
18 methane, that remain after the natural gas liquid portion of the
19 natural gas stream has been removed and any volume of
20 nonhydrocarbon gases have been removed in sufficient quantity to
21 render the gas marketable. The term includes consumer-grade
22 natural gas or pipeline-quality natural gas.

23 "Gross proceeds." The value, whether in money or other
24 property, actually proceeding from the sale of property, without
25 a deduction for the cost of property sold or expenses of any
26 kind.

27 "Gross value." The gross proceeds received or receivable for
28 property transferred, except as follows:

29 (1) In a transaction involving related parties, gross
30 proceeds of the property transferred may not be less than the

1 fair market value of similar grade and quality property.

2 (2) In the absence of a sale, gross proceeds of the
3 property transferred may not be less than the fair market
4 value of similar grade and quality property.

5 (3) In a transaction where property is transferred for
6 the purpose of processing and resale, gross proceeds of the
7 property transferred may not be less than the fair market
8 value of similar grade and quality property.

9 "Meter." A device to measure the passage of volumes of gases
10 or liquids past a certain point.

11 "Natural gas." A fossil fuel consisting of a mixture of
12 hydrocarbon gases, including methane, ethane, propane, butane,
13 carbon dioxide, oxygen, nitrogen and hydrogen sulfide and other
14 gas species. The term includes natural gas from oil fields known
15 as associated gas or casing head gas, natural gas fields known
16 as nonassociated gas, shale beds and other formations. The term
17 does not include coal bed methane.

18 "Natural gas liquids." Hydrocarbons, including ethane,
19 propane, butane, isobutane and pentane that are separated from
20 natural gas as liquids through the process of absorption,
21 condensation, adsorption, cooling in gas separators, gas
22 processing or cycling plants.

23 "Person." A corporation, partnership, limited liability
24 company, business trust, other association, government entity
25 other than the Commonwealth, estate, trust, foundation or
26 natural person.

27 "Postproduction costs." Proportional costs incurred in and
28 associated with processing and transporting natural gas from the
29 point the gas is brought to the surface to the point of sale,
30 limited to gathering, separating, treating, dehydrating,

1 compressing, processing, transporting or losses by use as fuel
2 or line loss of natural gas and the costs of fractionating and
3 marketing ethane, propane, butane and other complex
4 hydrocarbons. The term does not include corporate structure or
5 financing costs.

6 "Producer." A person who engages or continues within this
7 Commonwealth in the business of severing natural gas from
8 unconventional formations for sale, profit or commercial use.

9 "Producing site." A point of severance, including a well and
10 its associated zones and multilateral well bores, that is
11 capable of producing natural gas from an unconventional
12 formation.

13 "Related parties." Two or more people, organizations or
14 businesses owned or controlled directly or indirectly by the
15 same interests. Control exists if a contract or lease, either
16 written or oral, is entered into where one party severs or
17 processes natural gas owned or held by another party and the
18 owner or lessor participates in the severing, processing or
19 marketing of the natural gas or receives any value other than an
20 arm's-length passive royalty interest.

21 "Reporting period." A calendar month in which natural gas is
22 severed.

23 "Sales meter." A meter at the point where natural gas is
24 sold or transported to a purchaser or the market.

25 "Sever." The extraction or other removal of natural gas from
26 an unconventional formation in this Commonwealth.

27 "Storage field." A natural formation or other site that is
28 used to store natural gas that did not originate from and has
29 been transplanted into such formation or site.

30 "Stripper well." A producing site that produced an average

1 of less than 90 units of natural gas per day during the calendar
2 year immediately preceding a reporting period.

3 "Tax." The tax imposed under section 1102-E.

4 "Taxpayer." A person subject to the tax imposed by this
5 article.

6 "Unconventional formation." A geological shale formation
7 existing below the base of the Elk Sandstone or its geologic
8 equivalent stratigraphic interval where natural gas generally
9 cannot be produced at economic flow rates or in economic volumes
10 except by vertical or horizontal well bores stimulated by
11 hydraulic fracture treatments or using multilateral well bores
12 or other techniques to expose more of the formation to the well
13 bore.

14 "Unit." A thousand cubic feet (Mcf) of natural gas at a
15 temperature of 60 degrees Fahrenheit and an absolute pressure of
16 14.73 pounds per square inch, in accordance with American Gas
17 Association (AGA) standards and according to Boyle's Law for the
18 measurement of gas under varying pressures with deviations
19 therefrom as follows:

20 (1) The average absolute atmospheric pressure shall be
21 assumed to be 14.4 pounds to the square inch, regardless of
22 actual elevation or location of point of delivery above sea
23 level or variations in such atmospheric pressure from time to
24 time.

25 (2) The temperature of the gas passing the meters shall
26 be determined by the continuous use of a recording
27 thermometer installed so that the thermometer may properly
28 record the temperature of the gas flowing through the meters.
29 The arithmetic average of the temperature recorded each 24-
30 hour day shall be used in computing gas volumes. If a

1 recording thermometer is not installed, or if installed and
2 not operating properly, an average flowing temperature of 60
3 degrees Fahrenheit shall be used in computing gas volume.

4 (3) The specific gravity of the gas shall be determined
5 by tests made by the use of an Edwards or Acme gravity
6 balance, annually, or at intervals as are found necessary in
7 practice. Specific gravity shall be used in computing gas
8 volumes.

9 (4) The deviation of the natural gas from Boyle's Law
10 shall be determined by tests annually or at other shorter
11 intervals as are found necessary in practice. The apparatus
12 and the method to be used in making the tests shall be in
13 accordance with recommendations of the National Institute of
14 Standards and Technology, or Report No. 3 of the Gas
15 Measurement Committee of the American Gas Association, or any
16 amendments thereof. The results of the tests shall be used in
17 computing the volume of gas delivered.

18 "Wellhead meter." A meter placed at a producing site to
19 measure the actual volume of natural gas severed.

20 Section 1102-E. Imposition of tax.

21 (a) Imposition.--A privilege tax is levied on every
22 producer.

23 (b) Rate.--The tax imposed under subsection (a) shall be the
24 sum of the following:

25 (1) Subject to the provisions of section 1104-E, 3.5% of
26 the gross value of each unit of the dry natural gas derived
27 from the natural gas severed.

28 (2) Subject to the provisions of section 1104-E, 3.5% of
29 the gross value of the natural gas liquids derived from the
30 natural gas severed.

1 (c) Exemptions.--The tax imposed under subsection (a) may
2 not be imposed upon the following:

3 (1) Natural gas, dry natural gas or natural gas liquids
4 severed under a natural gas lease and provided to a lessor
5 for no consideration for the lessor's own use.

6 (2) Natural gas, dry natural gas or natural gas liquids
7 severed from a stripper well.

8 (3) Natural gas, dry natural gas or natural gas liquids
9 severed from a storage field.

10 Section 1103-E. Postproduction costs.

11 The producer may deduct postproduction costs from the gross
12 value of natural gas and natural gas liquids subject to the tax
13 imposed under section 1102-E. The amount of the deduction shall
14 not exceed 15% of the gross value.

15 Section 1104-E. Prohibition.

16 No deduction from the minimum royalty payment required to be
17 paid to a lessor under a lease permitting a producer to sever
18 natural gas from real property subject to the lease shall be
19 made by a producer for postproduction costs or the tax imposed
20 under section 1102-E.

21 Section 1105-E. Existing agreements.

22 A provision of any agreement in existence prior to the
23 effective date of this section that violates section 1104-E is
24 declared to be illegal, contrary to public policy and null and
25 void.

26 Section 1106-E. Future agreements.

27 On or after the effective date of this section, a provision
28 of an agreement in violation of section 1104-E is declared to be
29 illegal, contrary to public policy and null and void.

30 Section 1107-E. Nonseverability.

1 If any portion of section 1104-E, 1105-E or 1106-E, or
2 application thereof, is held to be invalid by a court, section
3 1103-E shall be void.

4 Section 1108-E. Return and payment.

5 (a) Return.--Each producer is required to file a return with
6 the department, on a form to be prescribed by the department,
7 reporting all severed natural gas per reporting period and the
8 tax due as imposed under section 1102-E.

9 (b) Filing.--The return required by subsection (a) must be
10 filed with the department on or before the 20th day of the
11 fourth calendar month after a reporting period.

12 (c) Due date.--The tax imposed under section 1102-E is due
13 on the day the return is required to be filed and becomes
14 delinquent if not remitted to the department by that date.

15 Section 1109-E. Natural gas severance tax licensing.

16 (a) License required.--Each producer subject to the tax
17 under section 1102-E must apply to the department for a
18 severance tax license before severing natural gas from this
19 Commonwealth. A producer who has been severing natural gas from
20 this Commonwealth prior to the effective date of this article
21 must obtain a license from the department within six months from
22 the effective date of this section. All other producers must
23 obtain a license before severing natural gas from this
24 Commonwealth. A producer is liable for the tax imposed under
25 section 1102-E without regard to whether the producer obtains or
26 is required to obtain a license.

27 (b) Fee.--The department may charge an application fee to
28 cover the administrative costs associated with the application
29 and licensing process. If the department charges an application
30 fee, the department may not issue a license until the producer

1 has paid the application fee.

2 (c) Declaration.--As part of the application for a license,
3 the producer shall provide a declaration of all sites in this
4 Commonwealth used by the producer for the severance of natural
5 gas. The declaration shall include all producing sites and sites
6 which are stripper wells. The producer shall update the
7 declaration when the producer adds or removes a producing site
8 in this Commonwealth or when there is a change in the status of
9 a producing site. The producer shall update the declaration
10 within 30 days after any calendar month in which a change in the
11 information contained in the declaration occurs.

12 (d) Duties of department.--The department shall, after the
13 receipt of an application, issue the license applied for under
14 subsection (a), if the applicant filed all required State tax
15 reports and paid any State taxes not subject to a timely
16 perfected administrative or judicial appeal or subject to a duly
17 authorized deferred payment plan. The license shall be
18 nonassignable. Each producer shall be required to renew the
19 license on a staggered renewal system established by the
20 department. After the initial staggered period, a license issued
21 shall be valid for a period of five years.

22 (e) State taxes.--If an applicant for a license or a person
23 holding a license has not filed all required State tax reports
24 and paid any State taxes not subject to a timely perfected
25 administrative or judicial appeal or subject to a duly
26 authorized deferred payment plan, the department may refuse to
27 issue, suspend or revoke the license. The department shall
28 notify the applicant or licensee of a refusal, suspension or
29 revocation. The notice shall contain a statement that the
30 refusal, suspension or revocation may be made public. The notice

1 shall be made by first class mail. An applicant or licensee
2 aggrieved by the determination of the department may file an
3 appeal of the determination in the same manner as provided for
4 reassessments of tax under section 1111-E. In the case of a
5 suspension or revocation which is appealed, the license shall
6 remain valid pending a final outcome of the appeal.

7 Notwithstanding any other provision of law to the contrary, if
8 no appeal is taken or if an appeal is taken and denied at the
9 conclusion of the appeal process, the department may disclose,
10 by publication or otherwise, the identity of a person whose
11 license has been refused, suspended or revoked under this
12 subsection. Disclosure may include the basis for refusal,
13 suspension or revocation.

14 (f) Severing without a license.--A person that severs
15 natural gas in this Commonwealth without holding a valid license
16 under this section shall be guilty of a summary offense and,
17 upon conviction, shall be sentenced to pay a fine of not less
18 than \$300 nor more than \$1,500 and, in default thereof, to
19 undergo imprisonment of not less than five days nor more than 30
20 days. The penalties imposed by this subsection shall be in
21 addition to any other penalties imposed by law. For purposes of
22 this subsection, the severing of natural gas during any calendar
23 day shall constitute a separate violation. The Secretary of
24 Revenue may designate employees of the department to enforce the
25 provisions of this subsection. The employees shall exhibit proof
26 of and be within the scope of the designation when instituting
27 proceedings as provided by the Pennsylvania Rules of Criminal
28 Procedure.

29 (g) Liability.--Failure to obtain a license does not relieve
30 a person from liability for the tax imposed under section 1102-

1 E.

2 (h) Civil penalty.--In addition to any tax, interest or
3 other penalty due under this article, the department shall
4 impose a civil penalty of 10¢ per unit severed during the period
5 a producer is required to and does not have a license. The
6 penalty shall be assessed and collected under this article.

7 Section 1110-E. Meters.

8 A producer shall provide for and maintain discrete wellhead
9 and sales meters. A producer shall ensure that all meters are
10 maintained according to industry standards.

11 Section 1111-E. Administration of tax.

12 Unless otherwise noted to the contrary, Article II, Part VI,
13 Chapters IV, V, VI, VII and VIII shall apply to this article.

14 Section 1112-E. Records.

15 A producer shall maintain the following records:

16 (1) Wellhead and sales meter charts for each reporting
17 period and the meter calibration and maintenance records. If
18 turbine meters are in use, the maintenance records shall be
19 made available to the department upon request.

20 (2) All records, statements and other instruments
21 furnished to a producer by any person to whom the producer
22 delivers for sale, transport or other delivery of any natural
23 gas.

24 (3) Records, statements and other instruments as the
25 department may prescribe by regulation.

26 Section 1113-E. Enforcement of article.

27 The department and the Department of Environmental Protection
28 shall have the ability to inspect records and locations to
29 ensure compliance with this article.

30 Section 1114-E. Use of revenue.

1 Revenue collected under this article shall be used for public
2 school building renovation and rehabilitation bonds under
3 Article XXVIII-A.

4 ARTICLE XXVIII-A

5 PUBLIC SCHOOL BUILDING RENOVATION

6 AND REHABILITATION

7 PART I

8 GENERAL PROVISIONS

9 Section 2801-A. Definitions.

10 The following words and phrases when used in this article
11 shall have the meanings given to them in this section unless the
12 context clearly indicates otherwise:

13 "Account." The Public School Building Renovation and
14 Rehabilitation Bond Debt Service Account established in section
15 2815-A.

16 "Authority." The Commonwealth Financing Authority
17 established under 64 Pa.C.S. Ch. 15 (relating to Commonwealth
18 Financing Authority).

19 "Department." The Department of Education of the
20 Commonwealth.

21 "Eligible cost." The cost of all labor, materials, necessary
22 operational machinery and equipment, lands, property, plans and
23 specifications, surveys, estimates of costs and revenues,
24 prefeasibility studies, engineering and legal services and all
25 improvement, expansion, extension, repair or rehabilitation of
26 all or part of a project.

27 "Executive director." The Executive Director of the
28 Commonwealth Financing Authority.

29 "Finance." The issuance of revenue bonds utilizing annual
30 severance tax revenues collected under Article XI-E.

1 "Fund." The Public School Building Renovation and
2 Rehabilitation Grant Fund established in section 2814-A.

3 "Grant program." The Public School Building Renovation and
4 Rehabilitation Grant Program established in section 2823-A.

5 "Office." The Governor's Budget Office.

6 "Program." The Comprehensive Public School Safety Program
7 established in section 2824-A.

8 "Repair and renovation projects." Eligible costs associated
9 with the improvement, repair, rehabilitation or security
10 measures of all or part of a public school building, which
11 include the following:

12 (1) Emergency repairs resulting from a natural or
13 manmade disaster.

14 (2) Green and energy efficiency upgrades.

15 (3) Lead abatement, remediation and removal.

16 (4) Asbestos abatement, remediation and removal.

17 (5) Heating, ventilation and air conditioning purchase,
18 repair or replacement.

19 (6) Electrical system repair or replacement.

20 (7) Roof and window repair or replacement.

21 (8) Purchase, repair or replacement of indoor air
22 quality systems.

23 (9) Modifications to comply with the Americans with
24 Disabilities Act of 1990 (Public Law 101-336, 104 Stat. 327).

25 "School district." As defined in section 102 of the act of
26 March 10, 1949 (P.L.30, No.14), known as the Public School Code
27 of 1949.

28 "Secretary." The Secretary of the Budget of the
29 Commonwealth.

30 PART II

1 PUBLIC SCHOOL BUILDING RENOVATION

2 AND REHABILITATION BONDS

3 Section 2811-A. Bond issuance.

4 (a) Declaration of policy.--The General Assembly finds and
5 declares as follows:

6 (1) This Commonwealth's school districts are facing
7 significant challenges due to the age and physical condition
8 of existing school buildings.

9 (2) The current appropriations from the General Fund do
10 not provide a dedicated source of funding for public school
11 building renovation and rehabilitation.

12 (3) Existing State and local revenue sources are not
13 sufficient to cover the cost of renovating and rehabilitating
14 this Commonwealth's aging public school buildings.

15 (4) A significant portion of annual expenditures from
16 the General Fund are dedicated to providing for the education
17 of the children of this Commonwealth.

18 (5) The children of this Commonwealth have a right to
19 receive a public education in facilities that are safe,
20 structurally sound and free of public health hazards.

21 (6) The ability of the Commonwealth to provide for the
22 protection of the health, safety and general welfare of the
23 school children of this Commonwealth is jeopardized by the
24 declining physical condition of our public school buildings.

25 (7) The provisions of 64 Pa.C.S. Ch. 15 (relating to
26 Commonwealth Financing Authority) are entitled to liberal
27 construction in order to effect legislative and public
28 purposes.

29 (8) One of the stated purposes of 64 Pa.C.S. Ch. 15 is
30 "to protect the health, safety and general welfare of the

1 people of this Commonwealth and to further encourage economic
2 development and efficiency within this Commonwealth by
3 providing basic services and facilities, it is necessary to
4 provide additional or alternative means of financing
5 infrastructure facilities, transportation systems, industrial
6 parks, energy conversion facilities, facilities for the
7 furnishing of energy, water and telecommunications,
8 facilities for the collection or treatment of wastewater and
9 storm water, tourism, parking facilities, health care
10 facilities and other basic service and related facilities
11 which are conducive to economic activity within this
12 Commonwealth" under 64 Pa.C.S. § 1503(6) (relating to
13 findings and declaration of policy).

14 (9) Utilizing the annual revenues received through the
15 imposition of the severance tax under Article XI-E to
16 leverage funding to offset the cost of school repair and
17 renovation projects necessary for the protection of the
18 health, safety and general welfare of the school children of
19 this Commonwealth and the provision of basic services and
20 facilities is in the best interest of the Commonwealth.

21 (b) Authority.--Notwithstanding any other law, the authority
22 is authorized to issue bonds, the proceeds of which shall be
23 deposited into the fund to provide funding for school repair and
24 renovation projects.

25 (c) Duty.--The authority shall issue bonds under section
26 2812-A. An issuance of a bond under this article shall be
27 undertaken in a manner consistent with the best interest of the
28 Commonwealth and in a way that provides the greatest value to
29 taxpayers and furthers the purposes of this article.

30 (d) Debt or liability.--

1 (1) Bonds issued under this article shall not be a debt
2 or liability of the Commonwealth and shall not create or
3 constitute an indebtedness, liability or obligation of the
4 Commonwealth.

5 (2) Bond obligations shall be payable solely from
6 revenues or money pledged or available for repayment or
7 payment as authorized under this article.

8 (3) Each bond must contain on its face a statement that:

9 (i) The authority is obligated to pay the principal
10 of or interest on the bonds only from the revenues or
11 money pledged or available for repayment as authorized
12 under this article.

13 (ii) The Commonwealth shall not be obligated to pay
14 the principal of or interest on the bonds.

15 (iii) The full faith and credit of the Commonwealth
16 is not pledged to the payment of the principal of or the
17 interest on the bonds.

18 Section 2812-A. Limitations on bond issuance.

19 (a) Maximum principal amount.--If the authority issues bonds
20 under this article, the authority may incur indebtedness in an
21 amount up to \$5,000,000,000 plus the payment of all reasonable
22 costs and expenses related to the issuance of indebtedness in
23 accordance with 64 Pa.C.S. Ch. 15 (relating to Commonwealth
24 Financing Authority) for up to 30 years. The total principal
25 amount of bond proceeds authorized to be issued under this
26 article shall be limited to \$500,000,000 per year for a period
27 of 10 years beginning in fiscal year 2018-2019.

28 (b) Limitation.--The authority shall not issue any bonds
29 under this article, except refunding bonds, after June 30, 2027.

30 (c) Refunding bonds.--Notwithstanding any other limitation,

1 the authority, at the request of the secretary, may issue
2 refunding bonds at any time while bonds issued under this
3 article are outstanding, provided that the final maturity of a
4 series of bonds being refunded shall not be extended.

5 (d) Interest.--Interest on bonds issued under this article
6 and refunding bonds authorized under this section shall be
7 payable at the time or times the authority determines in the
8 resolution authorizing the bonds and, except as provided under
9 subsection (e), shall otherwise be subject to the other
10 provisions of 64 Pa.C.S. Ch. 15. Interest may be capitalized for
11 a period not to exceed two years.

12 (e) Debt limitations.--The aggregate principal amount of
13 bonds specified in this section shall not be subject to the debt
14 limitations specified in 64 Pa.C.S. § 1543 (relating to
15 indebtedness).

16 (f) Term of bonds.--The term of the bonds issued under this
17 article may not exceed 30 years.
18 Section 2813-A. Finance pledge.

19 (a) Annual payments for bond issuance.--

20 (1) For a bond issuance under this article, annual
21 revenues generated from the severance tax imposed under
22 Article XI-E are pledged by the Commonwealth in the amount
23 certified by the secretary under paragraph (2) for payment of
24 principal and interest for bonds issued by the authority
25 under this article.

26 (2) The secretary shall certify the amount of annual
27 payments to be pledged for payment of principal and interest
28 for the bonds issued by the authority under this article
29 within 30 days of the closing date of the bond transaction.
30 The certification shall be published as a notice in the

1 Pennsylvania Bulletin.

2 (b) General revenues.--

3 (1) For a bond issuance, the Commonwealth may pledge
4 revenues collected by the Commonwealth under Article II for
5 the payment of principal and interest for the bonds issued by
6 the authority under this article. A pledge made under this
7 subsection shall be subordinate to the pledge of Article II
8 revenues made before the effective date of this section for
9 outstanding indebtedness of the authority.

10 (2) The secretary shall certify the maximum annual
11 amount of general revenues to be pledged to supplement
12 amounts pledged under subsection (a) for payment of principal
13 and interest for bonds issued by the authority under this
14 article within 30 days of the closing date of the bond
15 transaction. The certification shall be published as a notice
16 in the Pennsylvania Bulletin.

17 Section 2814-A. Public School Building Renovation and
18 Rehabilitation Grant Fund.

19 (a) Establishment.--There is established in the State
20 Treasury a special fund to be known as the Public School
21 Building Renovation and Rehabilitation Grant Fund.

22 (b) Deposit of proceeds.--The net proceeds of bonds issued
23 under this article, other than refunding bonds, exclusive of
24 costs of issuance, reserves and other financing charges, shall
25 be transferred by the authority to the State Treasurer for
26 deposit into the fund and shall be available for grants to
27 public schools as provided in this part.

28 Section 2815-A. Public School Building Renovation and
29 Rehabilitation Bond Debt Service Account.

30 (a) Establishment.--There is established in the State

1 Treasury a restricted account in the General Fund to be known as
2 the Public School Building Renovation and Rehabilitation Bond
3 Debt Service Account.

4 (b) Annual payments.--The amount of revenue generated from
5 the severance tax imposed under Article XI-E, pledged by the
6 Commonwealth under section 2813-A and certified by the secretary
7 for the payment of principal and interest for bonds issued under
8 this article shall be deposited into the account on July 1 of
9 each year beginning in 2019.

10 (c) General revenue.--General revenues pledged by the
11 Commonwealth under section 2813-A and certified by the secretary
12 for the payment of principal and interest for bonds issued under
13 this article shall be deposited into the account in amounts
14 determined by the secretary.

15 (d) Payments on bonds.--Payments of principal and interest
16 due on the bonds shall be made from the account.
17 Section 2816-A. Service agreement for bond issuance authorized.

18 (a) Authorization.--For a bond issuance under this article,
19 the authority and the office may enter into an agreement or
20 service agreement to effectuate the purposes of this article,
21 including an agreement to secure bonds issued under this
22 article, under which the secretary shall agree to pay service
23 charges to the authority in each fiscal year that the bonds or
24 refunding bonds are outstanding in amounts sufficient to timely
25 pay in full the debt service and any other financing costs due
26 on the bonds issued under this article.

27 (b) Payment of service charges.--The office's payment of any
28 service charges shall be subject to and dependent upon approval
29 by the authority and the appropriation of money by the General
30 Assembly to the office for payment of any service charges.

1 (c) Amendment of agreement.--The service agreement may be
2 amended or supplemented by the authority and the office in
3 connection with the issuance of a series of bonds or refunding
4 bonds authorized in this section.

5 Section 2817-A. Limitation on appropriations.

6 The amount of annual revenues collected from the severance
7 tax imposed under Article XI-E that are pledged and certified by
8 the secretary under section 2813-A for the payment of principal
9 and interest for bonds issued under this article shall not be
10 subject to appropriation under section 1713-A.1 of the act of
11 April 9, 1929 (P.L.343, No.176), known as The Fiscal Code.

12 PART III

13 PUBLIC SCHOOL BUILDING RENOVATION AND REHABILITATION

14 GRANT PROGRAM AND COMPREHENSIVE

15 PUBLIC SCHOOL SAFETY PROGRAM

16 Section 2821-A. Scope of part.

17 This part relates to the Public School Building Renovation
18 and Rehabilitation Grant Program and the Comprehensive Public
19 School Safety Program.

20 Section 2822-A. Use of bond proceeds.

21 (a) Grants.--Money received from the issuance of bonds under
22 Part II which are deposited into the fund shall be used for
23 grants by the authority for the Public School Building
24 Renovation and Rehabilitation Grant Program established under
25 section 2823-A to school districts for public school building
26 repair and renovation projects. Each year:

27 (1) Seventy-five percent of the available money shall be
28 awarded to school districts which are in one of the following
29 categories:

30 (i) In financial recovery status under Subchapter C

1 of Article VI-A of the act of March 10, 1949 (P.L.30,
2 No.14), known as the Public School Code of 1949.

3 (ii) In financial watch status under Subchapter B of
4 Article VI-A of the Public School Code of 1949.

5 (iii) Declared distressed under section 696 of the
6 Public School Code of 1949.

7 (iv) With 20% of school age children identified as
8 in acute poverty by the American Community Survey data,
9 as used in section 2502.53 of the Public School Code of
10 1949.

11 (2) Twenty-five percent of the available money shall be
12 awarded to school districts not eligible under paragraph (1).

13 (b) Prohibition.--The authority may not award grants for any
14 of the following purposes:

15 (1) Construction of a new public school building.

16 (2) Payment of maintenance costs other than those
17 allowed in this part.

18 (3) Purchase, lease or upgrade of school district
19 vehicles.

20 (4) Improvement of a stand-alone facility which is not
21 used for the purpose of educating children, including
22 administrative or operations buildings or logistical support
23 facilities.

24 Section 2823-A. Public School Building Renovation and
25 Rehabilitation Grant Program.

26 (a) Establishment.--The Public School Building Renovation
27 and Rehabilitation Grant Program is established and shall be
28 administered by the authority.

29 (b) Application.--A school district may submit an
30 application for a grant under this section in writing to the

1 department. The department may establish the form and manner in
2 which an application is submitted.

3 (c) Requirements of application.--An application submitted
4 under subsection (b) shall include:

5 (1) A detailed plan of the repair and renovation project
6 the school district is applying for.

7 (2) A statement indicating that the repair and
8 renovation project is necessary to protect the health and
9 safety of the students in a school district.

10 (3) Any other information required by the authority or
11 the department.

12 (d) Review.--Within 30 days of receipt of an application,
13 the department shall review and approve or deny the application.
14 If the application is approved, it shall be sent to the
15 authority. If the application is denied, the department shall
16 forward reasons for denial to the applicant and allow the
17 applicant to reapply.

18 (e) Approval.--The authority may only approve grants for
19 applicants which have been reviewed and approved by the
20 department under subsection (d).

21 Section 2824-A. Comprehensive Public School Safety Program.

22 (a) Establishment.--The Comprehensive Public School Safety
23 Program is established to ensure that all school buildings in
24 this Commonwealth are properly maintained and preserved and
25 provide a suitable educational setting.

26 (b) Duties of school district.--Each school district in this
27 Commonwealth shall require an occupied school building which is
28 owned, operated or leased by the district to participate in the
29 program.

30 (c) Components.--The program shall consist of building

1 inspections, safety ratings and monitoring as provided under
2 section 2825-A.

3 Section 2825-A. Building inspections, safety ratings and
4 monitoring.

5 (a) Building inspections.--To ensure that all occupied
6 school buildings are properly maintained and preserved and
7 provide a suitable educational setting, each school district
8 shall assess each building owned, operated or leased by the
9 district. Buildings shall be assessed by a building condition
10 survey conducted every other year, an annual fire safety
11 inspection and a visual inspection conducted in years in which
12 no building condition survey is conducted for the building in
13 accordance with the following:

14 (1) A building condition survey shall be conducted for
15 each occupied school building on or before November 15, 2020,
16 and every other year thereafter. A building condition survey
17 for new buildings which receive a certificate of substantial
18 completion dated August 31, 2019, through September 30, 2023,
19 may not be required until November 15, 2024, and every other
20 year thereafter in accordance with the following:

21 (i) The physical inspections for the survey shall be
22 conducted by a licensed architect or engineer. The
23 secretary shall prescribe the form in which to complete
24 the survey.

25 (ii) The survey shall include each program space and
26 an inspection of the following building system components
27 for evidence of movement, deterioration, structural
28 failure, probable useful life, need for repair and
29 maintenance and need for replacement:

30 (A) The building site, including utilities,

1 paving, playgrounds and play fields.

2 (B) Roofing.

3 (C) Exterior elements of the building, including
4 walls, doors, windows and fire escapes.

5 (D) Building structural elements.

6 (E) Building interiors, including finishes,
7 doors and hardware.

8 (F) Electrical systems, including service and
9 distribution, lighting, communications, technology
10 infrastructure and cabling.

11 (G) Plumbing, including water distribution
12 systems, drainage systems and fixtures.

13 (H) Heating and cooling systems, including
14 boilers, furnaces, terminal units and control
15 systems.

16 (I) Ventilation systems.

17 (J) Air conditioning systems, including
18 refrigeration, terminal units and control systems.

19 (K) Special construction, including stairs,
20 elevators, escalators and swimming pools.

21 (L) Fire protection and security systems,
22 including alarm, detection and fire protection.

23 (M) Environmental features, including
24 appearance, cleanliness, acoustics, lighting quality,
25 thermal comfort, humidity, ventilation and space
26 adequacy.

27 (iii) Reports of building condition surveys, signed
28 and sealed by the licensed architect or engineer, shall
29 be submitted to the secretary by January 15, 2021, and
30 January 15 of every other year thereafter.

1 (2) Annual visual inspections shall be conducted in
2 accordance with the following:

3 (i) A visual inspection of every occupied school
4 building shall be conducted in each year in which no
5 building condition survey is conducted for the building.
6 A building condition survey conducted under paragraph (1)
7 shall fulfill the requirement for the year in which the
8 survey is conducted and the secretary may require more
9 frequent inspections as deemed necessary to maintain the
10 safety of school buildings and the welfare of occupants.

11 (ii) The annual visual inspection shall consist of a
12 visual reinspection of the components of the building
13 condition survey for changes that may have occurred and a
14 review and update of the safety rating under subsection
15 (b) as needed.

16 (iii) The annual visual inspection shall be
17 conducted by individuals certified by the Department of
18 State as a code enforcement official and representatives
19 of the school administration.

20 (iv) If an annual visual inspection finds a
21 deficiency that would result in a determination that the
22 safety rating of the building under subsection (b) is
23 unsatisfactory or unsafe, the school district shall
24 retain a licensed architect or engineer to perform a
25 detailed inspection and develop a corrective action plan.
26 In addition, the secretary may require a school district
27 to conduct a detailed inspection by a licensed architect
28 or engineer if the secretary determines that the school
29 district has provided insufficient spending for
30 maintenance, repair or capital renewal of the building.

1 (v) The annual visual inspection shall be completed
2 by November 15 of each year that a school building is not
3 scheduled for a building condition survey.

4 (vi) The results of the annual visual inspection of
5 all occupied school buildings shall be reported and
6 signed by the individual who conducts the inspection and
7 shall be filed with the secretary by January 15. The
8 report shall indicate if more frequent inspections and
9 repairs are necessary to protect the health and safety of
10 the occupants of the school building. Annual visual
11 inspection reports shall be made available to the public
12 on the publicly accessible Internet website of the school
13 district and the department.

14 (b) Safety rating system.--Each school district shall
15 provide on an annual basis a safety rating of all occupied
16 school buildings to assess the structural integrity and overall
17 safety of the building in accordance with the following:

18 (1) The safety rating shall be established by each
19 school district and shall identify and assess the condition
20 of every major system component of each occupied school
21 building based upon overall assessment of the system or
22 element, probable useful life, structural integrity, overall
23 safety, need for repair and maintenance, need for
24 replacement, the estimated cost of necessary repairs or
25 replacement and assessment of the effectiveness of the
26 building comprehensive maintenance plan required by this
27 part.

28 (2) The major system components of each occupied school
29 building shall be rated in one of the following categories:

30 (i) Excellent, which identifies exemplary systems.

1 No remediation required, requires only routine
2 maintenance as identified in the building comprehensive
3 maintenance plan.

4 (ii) Satisfactory, which identifies systems which
5 are functioning reliably but routine maintenance and
6 repair are required.

7 (iii) Unsatisfactory, which identifies systems which
8 are functioning unreliably or have exceeded the useful
9 life. A corrective action plan is in place and repairs or
10 replacement have been scheduled.

11 (iv) Unsafe, which identifies systems which are
12 nonfunctioning, unreliable or not functioning as
13 designed. The system endangers the occupants' health or
14 safety or has deficiencies that have resulted in serious
15 accident or injury.

16 (v) Indeterminate, which identifies systems which
17 require additional probing or testing and a summary
18 report will be issued or drawings or specifications are
19 required.

20 (3) Building system deficiencies shall be categorized as
21 health and safety, structural, comfort or aesthetic.

22 (4) The overall rating of the school building shall be
23 determined by each district in consideration of paragraphs
24 (2) and (3) in one of the following categories:

25 (i) Excellent, which identifies systems rated in
26 overall excellent condition. A preventive maintenance
27 plan is in place.

28 (ii) Good, which identifies systems rated in overall
29 good or better condition.

30 (iii) Satisfactory, which identifies any system

1 categorized as comfort or aesthetic rated as
2 unsatisfactory. All systems categorized as health and
3 safety or structural rated good or better.

4 (iv) Unsafe, which identifies any system categorized
5 as health and safety or structural rated unsafe or
6 unhealthful. This rating shall result in the revocation
7 of the building's certificate of occupancy.

8 (c) Monitoring system.--Each school district shall establish
9 a process to monitor the condition of each occupied school
10 building in order to ensure that the buildings are safe and
11 maintained in a state of good repair. The process shall include
12 the following elements:

13 (1) Establishment of a health and safety committee
14 comprised of representation from district officials, staff,
15 bargaining units and parents.

16 (2) Establishment of a comprehensive maintenance plan
17 for all major building systems to ensure the building is
18 maintained in a state of good repair. The plan shall include
19 provisions for the least toxic approach to integrated pest
20 management and establishing maintenance procedures and
21 guidelines which will contribute to acceptable indoor air
22 quality. The comprehensive maintenance plan shall be
23 available for public inspection.

24 (3) The annual review and approval by the school board,
25 School Reform Commission, State-appointed receiver or chief
26 recovery officer of the annual building inspection reports
27 and the overall safety rating.

28 (d) Additional standards.--Nothing in this section shall
29 prevent a school district from adopting stricter building
30 inspections.

1 (e) Applicability.--The provisions of this section shall
2 apply to all occupied public school buildings.

3 Section 2. Repeals are as follows:

4 (1) The General Assembly declares that the repeal under
5 paragraph (2) is necessary to effectuate the addition of
6 Article XI-E of the act.

7 (2) 58 Pa.C.S. § 2318 is repealed.

8 Section 3. This act shall take effect as follows:

9 (1) The following provisions shall take effect
10 immediately:

11 (i) The addition of section 1109-E of the act.

12 (ii) This section.

13 (2) The addition of the remainder of Article XI-E of the
14 act shall take effect September 1, 2018.

15 (3) The remainder of this act shall take effect in 60
16 days.